

re-imagined

Sustainability Report
2020



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Foundations



Letter from the Executive Board

**Dr Peter Stadelmann**

Chief Executive Officer
Chief Financial Officer

Born in 1965, Dr Peter Stadelmann has been a member of the Executive Board at RATIONAL since 2012. He has been the CEO since January 2014. He previously spent more than 20 years in a variety of managerial functions at the Malik Management Centre St. Gallen. Starting in 2006, he spent six years as operational Managing Director of the Malik Group. //

Markus Paschmann

Chief Sales Officer

Born in 1966, Mr Paschmann has been Chief Sales Officer at RATIONAL since December 2013. After completing his studies in industrial engineering, he began his career at Siemens AG. He was then, among other things, head of the Global Business Unit Electronics at the Harting Technology Group. From 2006 to 2013 he was a member of the Executive Board of Sick AG. //

Jörg Walter

Chief Financial Officer

Born in 1970, Mr Walter joined RATIONAL AG in 2011. He was responsible for the group-wide Controlling activities until he was appointed Chief Financial Officer as of 1 March 2020. Mr Walter graduated as an industrial engineer and has held senior commercial positions at RÜTGERS AG and ROTO Frank AG. //

Peter Wiedemann

Chief Technical Officer

Born in 1959, Mr Wiedemann joined RATIONAL GmbH in 1988 as an engineer. He went on to work as a product manager, supported the development of the American subsidiary and took over the technical division as a member of the management team in January 1996. Since September 1999, he has had the same responsibility as a member of the Executive Board. //

Dear Ladies and Gentlemen,

We are delighted to be able to present our Sustainability Report for 2020. In 2020, we completely revamped the two product families, the combi-steamers and the iVario. We again enhanced our customers' sustainability with our new products, the iCombi Pro®, iCombi Classic® and iVario®.

The new iVario offers a height adjustment feature, for example, thus enabling ergonomic working at all times for people of different sizes or for different cooking processes. The option of using only particular zones of a pan thanks to iZoneControl means that energy is not wasted by heating unused areas. Our iCombi models reduce energy consumption by up to 10% compared with their already economical predecessor, the SelfCookingCenter. Except for this year, with the decrease in production due to coronavirus, we produce around 80,000 iCombi appliances a year — equal to the total energy consumption of 8,000 of these systems. A further innovation of great ecological importance is that the amount of cleaner needed for the iCombi has been cut by up to 50%. That protects the environment and saves money.

All our products enable our customers to provide their guests with good, healthy food. Using the iCombi and iVario requires less fat, preserves more vitamins and minerals in vegetables and meat, and generates fewer harmful substances during the cooking process. As a result, we help ensure a healthier diet for up to 140 million people a day.

The ConnectedCooking app allows our customers to connect numerous appliances, operate them more easily and, thanks to their integrated hygiene management, ensure the safety

of the food served. Automatic software updates, digital transfer of recipes, remote control of the appliances, and remote access by service partners eliminate many round trips, resulting in less traffic with all its downsides.

It goes without saying that we ensure that our new and existing suppliers, as well as our own workforce, do not use any production methods that harm the environment or violate human rights. We continuously strive to further reduce our ecological footprint, both inside and outside the company, through rigorous energy and environment management.

Aside from the fact that, thanks to our joint efforts, we succeeded in tackling the many negative impacts coronavirus brought us in 2020, we are very pleased that we again enhanced — in some cases to a large extent — the sustainability of our customers and RATIONAL.

Despite the negative effects of the coronavirus crisis, we again managed in 2020 to improve our scores with our new products. We are delighted and also feel a little bit of pride in that — and it will help spur us on to achieve even higher goals in our mission to make products that are eco-friendly.

Dr Peter Stadelmann
CEO of RATIONAL AG

About this report

Business model for the RATIONAL Group

RATIONAL AG's business model is presented in the section "Fundamental information about the Group" of the management report, which is why we refer readers to that section here. It deals with the Group's organisational structure and locations, products and services, segments, and markets, customers and competitive situation. www.rational-online.com/en_gb/company/investor-relations/publications-downloads/annual-reports/

Information on the Sustainability Report

This Sustainability Report has not been audited by an independent auditor. This report reproduces parts of or is closely based on the non-financial consolidated report. They are not explicitly indicated.

The separate non-financial consolidated report was the subject of a limited assurance engagement under ISAE 3000 (Revised) by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC). It was published on time in April 2021. It is published annually and is available online in PDF form on the company website.

www.rational-online.com/en_gb/company/investor-relations/publications-downloads/sustainability-report/

Scope

This report refers in principle to the RATIONAL Group. Accordingly, statements apply in part solely to combi-steamer technology. In cases where information or performance indicators refer only to sub-segments of the Group, this will be stated explicitly.

Risk analysis

Definition of the risk areas

Risk management is a core task of the entire Executive Board, which has delegated this process to the Risk Manager. The Risk Manager is authorised to specify methods and set guidelines, and to coordinate risk reporting in the RATIONAL Group. The process managers and executives are responsible for identifying and measuring risks and for formulating and implementing risk management measures. To this end, they are equipped with guidelines that give them direction in the identification, analysis, assessment- monitoring and reporting of risk.

As a sustainable company with a long-term focus, we set great store by a holistic assessment of risk, which means a balanced assessment of non-financial and the resulting financial risks. The RATIONAL risk management system is structured so as to ensure that key risks are systematically identified, measured, managed, monitored and reported to the respective decision-maker. If the company identifies risks that, if they were to materialise, could impact the achievement of corporate objectives, suitable corrective action is taken.

Risk is understood as referring to all events internal and external to the company that may have an adverse effect on areas outside the company (environment, society, customers, employees, suppliers, etc.) as a result of its own business activities and may therefore also negatively affect the achievement of business targets in a defined assessment period.

In accordance with Section 315c of the German Commercial Code (HGB) in combination with Section 289c of the German Commercial Code (HGB), the non-financial report should indicate the material risks associated with the corporation's business activity as well as those related to its products and services which are or will be very likely to have a negative effect on the aforementioned aspects. It should also discuss the handling of these risks by the corporation.

The net approach is used when assessing risks; in other words, when assessing the risks, we include any counter-measures taken, which reduce the probability of occurrence and the possible extent of damage.

Risk analysis

The risk analysis includes potential risks that can arise from the business activity of producing companies in general and from the business activity of RATIONAL AG in particular.

The risks captured during the risk inventory are examined during risk analysis to establish cause-and-effect relationships. They are then assessed in terms of probability and their potential impact on the company's net assets and results of operations. This analysis also covers the non-financial risks. The risk analysis procedure is dealt with in the risk report in the 2020 group management report, so we refer readers to it here. It deals in detail with the analysis of non-financial risks and how they are captured and assessed.

Definition of the materiality of risks

The definition of material risks from the business activity relates to the two core questions in Section 289c of the German Commercial Code (HGB):

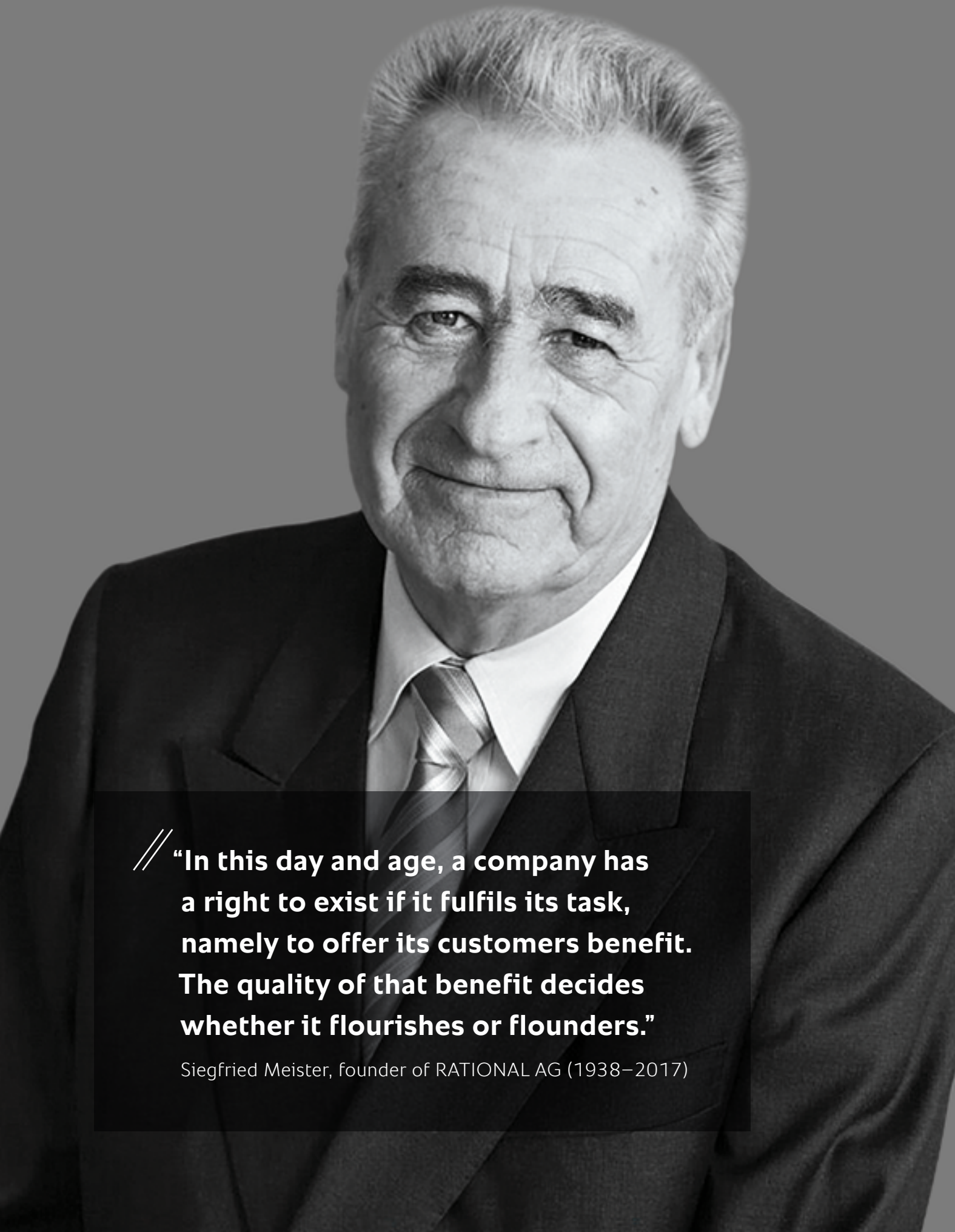
- Should the occurrence of the relevant risk from the business activity of RATIONAL AG be classified as very probable?
- Does the occurrence of the relevant risk have potential to have a serious impact on the respective area of business?

Risk survey results

No material risks result from the business activity of RATIONAL AG which are or will be very likely to have serious negative effects on the non-financial areas of business outlined in Section 289c of the German Commercial Code (HGB).

Strategy





/// **“In this day and age, a company has a right to exist if it fulfils its task, namely to offer its customers benefit. The quality of that benefit decides whether it flourishes or flounders.”**

Siegfried Meister, founder of RATIONAL AG (1938–2017)

People are at the heart of everything

In our view, sustainability means protecting the environment and people, whatever their ties to our company, as far as possible in our business activities.

That is easy for us, since from the beginning of RATIONAL the overriding goal of our founder, Siegfried Meister, has not been to achieve growth, nor to maximise profits, not to secure jobs, but rather to deliver benefit to our customers. We want to help them cook. That is enshrined in our corporate philosophy. The company's purpose per se makes a lot of sense.

The better support we give our customers, the more we can grow. And the more effort we put into this in the most efficient way, the more profitable we will be.

Our vision

Yet we not only ask how we can maximise benefit for our direct customers. We specifically ask how we can increase benefit for all stakeholders, who are also defined as internal or external customers in RATIONAL's philosophy. In everything we do, we strive to safeguard and improve the living and working conditions of the people we serve.

A core principle in formulating our sustainability vision is that we view commercial and sustainability objectives separately. We are convinced that sustainable business as a conscious entrepreneurial decision must always include both aspects.

We believe the following visions are key in that:

- › Our appliances enable our customers to work as efficiently, as safely, and as ergonomically as possible in terms of resources, space and time.
- › We help our customers to serve their guests healthy, high-quality meals.
- › We offer our employees very good jobs, stability and the opportunity to work independently and with personal responsibility.

› We create security and stability for customers, dealers, suppliers, employees and shareholders by generating continuous, sustainable growth.

› We preserve living conditions for future generations.

RATIONAL is committed to translating those cornerstones of its philosophy into concrete action. If we can achieve these goals, we can contribute to a future that is fit to live in for our grandchildren.

Our materiality process

Stakeholder dialogue is a core element of our sustainability. The company needs it to address the differing interests of its various partners. It also helps us to expand our own commercial perspectives, identify important social developments early on and take appropriate action. That is why we strive to include all important stakeholders and their interests in all our considerations and developments. These stakeholders are our suppliers, dealers, customers, our customers' guests, our employees and their families, society and later generations.

A detailed description of the materiality analysis can be found in the non-financial consolidated report (www.rational-online.com/en_gb/company/investor-relations/publications-downloads/sustainability-report/).

Our strategically relevant action areas are grouped and assigned to the respective sections in this report in the matrix on the next page. The matrix also shows how the sustainability issues are assigned to the aspects defined by the German Commercial Code (HGB) in the non-financial consolidated report. Issues not assigned to any of the matters are not part of the separate non-financial consolidated report.

A number of sections in this report are based on the 17 global Sustainable Development Goals (SDGs) adopted by the United Nations. The identified sustainability aspects make a positive contribution to achievement of the SDGs.

Important sustainability aspects	Assignment to the material aspects dealt within the non-financial statement (HGB)	Assigned to the section "Simply sustainable" Documents audited separately	SDG
Economic stability and reliable partners		1. Long-term, stable growth. RATIONAL as a dependable partner.	8
Appliance efficiency	Customer matters	2. Our number one. The customer. Appliances that offer efficiency in diverse ways: energy	7
Working safely with the appliances			3
Healthy nutrition	Social matters	3. Food made easy. Gentle cooking for a healthy diet.	3
Durability and recyclability	Environmental matters	4. Less is more. Durability and recyclability.	12
Reduced volumes of waste and wastewater	Environmental matters	5. Kind to the environment. Resource-efficient production and logistics. Drinking water consumption and volume of waste	6
Corporate culture; working independently and with personal responsibility	Employee matters	6. Our engine that drives sustainability. Our employees. Entrepreneur in the company	8
Employees: occupational health and safety	Employee matters	Employees' health and safety	
Worldwide compliance with all legal requirements	Human rights, anti-corruption	7. A matter of course. Ethics and legal compliance.	16

Our strategy

In developing our sustainability strategy, we reconcile our stakeholders' expectations and RATIONAL's vision. The materiality matrix presented here shows the action areas assessed as being very important from the external and internal perspective. These, and other action areas above and beyond them, are the core content of our sustainability strategy.

Our vision and our stakeholders' expectations are translated into a strategy and fields of activity as follows.

1. Long-term, stable growth.

RATIONAL as a dependable partner.

RATIONAL ensures long-term growth and economic stability through maximum customer centricity, making the company a reliable long-term partner for customers, dealers, suppliers and employees, and RATIONAL shares a secure long-term investment for shareholders.

2. Our number one. The customer.

Efficient products¹: offering our customers maximum benefit is our primary corporate aim.

¹ German Federal Association of Materials Management, Purchasing and Logistics (BME)

That is why we want to offer our customers appliances that save time, resources and space in kitchens all around the world.

Ergonomics and occupational safety for users of our appliances: we are particularly committed to providing a safe working environment for our customers. That is why we do everything to ensure ergonomic and safe operation of our appliances. RATIONAL continuously develops path-breaking innovations to ensure its continued success moving ahead.

3. Food made easy.

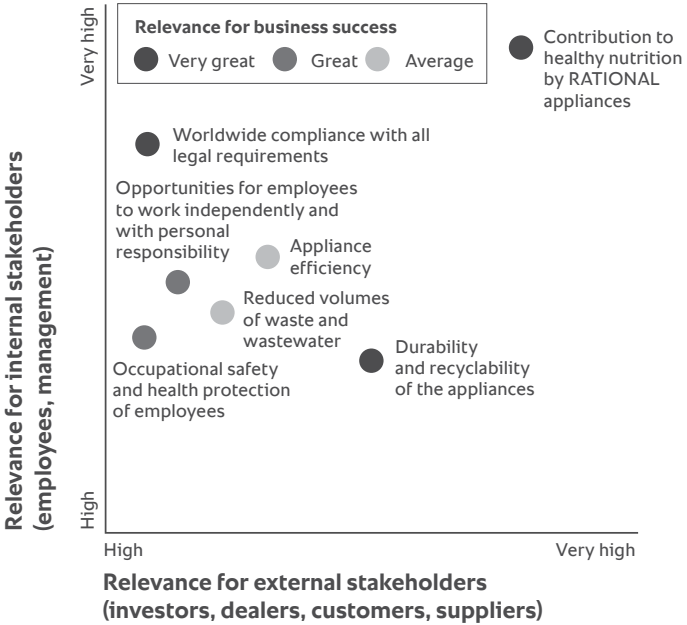
Greater quality thanks to gentle cooking.

Healthy, high-quality food: a key element of RATIONAL's business model is to enable and foster healthy nutrition with a range of appliances that offer health-promoting cooking methods.

4. Less is more.

Resource-efficient products.

Durability and recyclability of our products: our top priority is for our appliances to save resources. That is why we ensure our appliances can be used by the customer for as long and as intensively as possible and that their components can be recycled.



5. Kind to the environment.

Our production processes.

Waste, waste water, emissions, energy, paper: efficient and environmentally friendly logistics and production processes are integral aspects of RATIONAL's activities. That is why RATIONAL keeps on working to minimise energy, water and paper consumption, waste, waste water and emissions in its processes.

6. The engine that drives our actions.

Our employees.

Entrepreneurs in the Company: we believe it is particularly important to establish a culture in which our employees can act independently and with personal responsibility. That is why we strive to create the freedom for our employees to see themselves and act as "Entrepreneurs in the Company" in their sphere of responsibility.

A safe and healthy working environment for all employees: satisfied, motivated employees are vital to RATIONAL and its development. That is why we offer our employees a very good, safe working environment that protects their health.

Training and education at RATIONAL: training and education offerings are necessary to maintain productivity and preserve innovative skills at our company. All employees therefore benefit from continuous further training measures. We also foster people with high potential by offering young talent programmes, dual courses of study and training courses.

7. A matter of course.

Ethics and legal compliance.

Observance of human rights and combating corruption and bribery: RATIONAL is wholeheartedly committed to upholding human rights. Legally compliant behaviour and combating corruption and bribery are a matter of course for RATIONAL. Internal rules of conduct as well as the BME Code of Conduct for ensuring compliance with all applicable laws worldwide and observance of human rights in the supply chain are important elements in this respect.



re-invented

“Many companies focus their activities on rapid growth and maximising short-term profit, and structure their organisations accordingly. At RATIONAL, we think and act differently. For us, financial key performance indicators merely serve as the yardstick of how well we have fulfilled our entrepreneurial role. They are the result of combining the right strategy with the right actions.”

Siegfried Meister, founder of RATIONAL AG (1938–2017)

Long-term, stable growth. RATIONAL as a dependable partner.



SDG 8

RATIONAL has grown continuously and stably since it was founded. The company thereby helps increase prosperity, while offering safe jobs with good conditions. RATIONAL keeps on developing new technologies and innovations, making it equipped to also tackle whatever lies ahead.

have more than doubled our global headcount in the past 10 years, to 2,258 at the end of 2019. At the start of the coronavirus crisis, a hiring freeze was imposed. Vacant positions were often not refilled, some fixed-term contracts were not renewed and auxiliary staff were only employed in exceptional cases. In some cases, we also reduced the workforce in countries that were particularly hard hit by the crisis. As at the balance sheet date 31 December 2020, the total number of employees in the Group therefore fell slightly to 2,180.

The company believes that the prime focus of forward-looking, entrepreneurial activity is always on delivering customer benefit. It is our conviction that this is the foundation of our success and the reason why we have grown continuously, stably and profitably since being founded. Our customers and other business partners have a strong trust in RATIONAL, not least because of that long-term stability.

RATIONAL continuously conducts research and develops new technologies and innovations in order to keep on ensuring that it delivers maximum benefit to its customers. As a result, we secure our market and technology leadership and are able to adapt to changes in customer needs at all times.

We grew by an annual average of 9% in the 10 years before the coronavirus crisis. In 2019, we achieved sales revenues of 844 million euros. Sales revenues in fiscal 2020 slumped 23% year over year to 650 million euros due to the impact of the coronavirus crisis. Given that demand remains unchanged, the very good market position of our products and services, our very healthy balance sheet structure, and our long-term corporate philosophy, we assume that we will return to growth once the negative effects of coronavirus have abated.

We believe that sustainable business is not only a commercial advantage, but also a bedrock of broad prosperity. This way of doing business creates jobs and tax revenue on a permanent basis, making it the foundation for an efficient welfare state.

We refer here to the 2020 Annual Report for details on RATIONAL's business and financial performance (www.rational-online.com/en_gb/company/investor-relations/publications-downloads/annual-reports/).

Thanks to our sustainable growth, we offer our employees safe jobs with good conditions and are a long-term, reliable business partner to suppliers, customers and dealers. We

“Of course the future interests me. I’m going to spend the rest of my life there.”

Mark Twain, American writer
(1835–1910)

Our number one. The customer.

Customer satisfaction

In view of the varied nature of the sales and customer loyalty measures, we use the global RATIONAL customer satisfaction index as a key performance indicator for customer satisfaction to inform our management actions. This index is based on the customer satisfaction index of the opinion research institute Kantar. It covers the criteria of company performance and customer preferences in relation to the products and services on offer. This index score is managed by statistically analysing the customer ratings in four main categories with multiple subcategories and using them to formulate recommendations for action. The categories are as follows:

1. Contacts and ways of getting in touch
2. Purchase/order process, including commissioning
3. Appliance features, including ease of use
4. Additional services

The RATIONAL satisfaction index is calculated at country level and aggregated into a global score. In 2020, the index was calculated for 15 countries. This index is shown on a scale of –50 to 150.

To ensure that we properly assess the needs of our customers, we regularly conduct a broad-based customer survey in which we query their satisfaction, but also potential and necessary improvements.

The latest customer satisfaction index includes customer surveys from the years 2016 to 2020. The index established in this survey primarily measures the strength of the customer relationship. The surveys in recent years were conducted in a total of 15 countries and cover around 80% of total sales revenues. The average index score for the latest customer surveys was 98 (previous year: 97 in 14 countries). That puts RATIONAL among the top 10% of companies in the Kantar surveys. Companies with an index score of 93 or more points are regarded as being among the top 10%. The size of the score and the score itself, which even increased in countries where the survey was repeated, indicates a good ongoing relationship with our customers.

In these highly detailed surveys, our customers point out areas where they think RATIONAL can do even better. These

suggestions are discussed with the Chief Sales Officer of RATIONAL AG and implemented by the respective national organisations.

The recommended measures have not been implemented to date due to the current coronavirus situation. After the situation has returned to normal, the recommendations will again be discussed and implemented with the subsidiaries and internal processes. Key projects include target group-specific analysis of factors that sway purchase decisions in Italy and incorporation of its results in communication with our customers. There is also a clear need for additional consulting services in the Italian market. This aspect will likewise be addressed when the situation normalises. In Brazil, a clear need for customers to be trained in using the appliances has emerged. That will also be tackled and tailored to the specific target group there when normality returns.

Appliances that offer efficiency in diverse ways

Leveraging the results of responsible use of resources and the added value that it creates for customers are key aspects for RATIONAL. It is crucial in this respect for our customers to protect the environment by reducing consumption and also to benefit financially when they save resources.

Focus on efficiency in research and development

Guided by that vision, we pay special attention in our research and development to the efficiency of our cooking appliances in addition to the cooking quality.

In order to keep on improving product features that enhance efficiency, we are constantly increasing our personnel and financial capacities in this area. More than 190 employees currently work in research and development on improving our products and services. As in the previous year, we spent around 42 million euros on research and development in 2020, despite the sharp drop in sales revenues. That is equal to around 7% of the sales revenues we generated in 2020. Moreover, we are working intensively with external research facilities and universities on integrating the latest scientific findings into our development work.

Specific targets for saving resources are defined in the respective research projects. These are regularly assessed and checked in project reports and in the steering committee meetings in the presence of the Chief Technical Officer.

Energy



SDG 7

RATIONAL's products help save energy compared to traditional cooking appliances and predecessor models. That reduces the use of energy resources.

Everyday work in a kitchen usually entails very high levels of energy consumption, heavy peak demand periods and hence high costs for our customers. Thanks to our energy-efficient products, we can slash those costs and, as a result, enhance our customers' satisfaction. Our customers are also paying greater attention to ecological aspects and making sure that they themselves act with an eye to conserving resources. Thanks to their low energy consumption, our products also help our customers to achieve their own ecological goals.

The new iCombi

We presented the iCombi Plus and iCombi Classic on the market in May 2020. Thanks to their improved cooking intelligence and shorter cooking times as a result, increases in productivity and more efficient cleaning, we were able to reduce energy consumption by an average of some 10% compared with the predecessor models. The predecessor models SelfCookingCenter and CombiMaster Plus had already reduced energy consumption by around 10% compared to their predecessors thanks to the then new triple pane glass cabinet door, power-saving LED lighting and an improved door seal.

The new iVario

We launched the iVario, the successor to the VarioCookingCenter, in June 2020. The new iVario impresses with even faster and more efficient cooking processes, as well as even more precise controlling. Diverse ways of installing it and an optional height adjustment feature make working with it even more ergonomic and conducive to users' health.

Thanks to the new iZone Control, chefs can divide each pan of the iVario into four small iVario zones and control these with different cooking profiles. That means they can cook different foods at the same time, use their appliances even more flexibly, increase capacity utilisation and cut energy consumption.

Our appliances save significantly more energy and water than conventional cooking methods

We want to replace traditional cooking appliances that use a lot of energy while optimising energy and water consumption with every generation of appliances. As a result, our products become more and more attractive to customers.

A 2014 study by the Zurich University of Applied Sciences² proved that using multifunctional cooking appliances reduced energy and water consumption by 34% and 53% respectively per meal prepared, in comparison with traditional cooking technology. The study was conducted as part of the refurbishment of a canteen kitchen, in which traditional equipment was replaced with RATIONAL's SelfCookingCenter and VarioCookingCenter.

ConnectedCooking

Our state-of-the-art connectivity solution ConnectedCooking offers additional ways of optimising energy consumption during use. The "View Energy Consumption" module allows ConnectedCooking users to centrally check the energy consumption of multiple appliances during the cooking process. That is particularly effective for customers who want a central means of simultaneously controlling appliances at different locations.

Chefs can also reduce energy consumption by using recipes that require little energy to make, provided centrally in ConnectedCooking.

Moreover, remote maintenance reduces callouts for service technicians and the time and travel that they involve, thereby saving precious resources. We were awarded the "Green Ribbon" environmental label for this.

Holistic concept for the kitchen

However, our goals are not confined to enhancing our appliances. Because we look at the big picture and want to optimise the kitchen as a whole. That covers all potential aspects — from ventilation, air-conditioning and heating systems to ways of saving space.

However, the main focus is on peak demand periods. These are periods in which there is a brief, but large increase in demand for power in the grid, with the result that electricity is also particularly expensive during them. Power consumption is distributed as evenly as possible in kitchens that have an efficient design — a goal RATIONAL already practises in some areas and intends to address to an even greater extent moving ahead. As a result, there is less intensive demand at peak times (e.g. 00:00 to 12:00 hours) throughout the grid, electricity is cheaper as a result of even distribution and the supply of power is more secure.

U.S. Energy Star³

Thanks to the high energy efficiency of our appliances, around 65% of the products RATIONAL sold in 2020 have the right to bear the U.S. Energy Star⁴. The approval process for obtaining the U.S. Energy Star label is currently ongoing for parts of the iCombi Classic line and iVario.

Did you know ...?

In view of the coronavirus crisis, the below-average increase in our installed base as a result of the fall in sales volumes, and the fact that our customers used our appliances for less time due to the lockdown, we are sticking to our assumption that around 140 million meals worldwide are prepared each day with our appliances.

If these roughly 140 million meals were prepared with conventional cooking methods, we estimate the annual energy consumption would be more than 41 million megawatt hours. RATIONAL appliances only consume just under 27 million megawatt hours, which is equal to savings of roughly a third.

Raw materials

With steam preparation and greatly reduced cooking times in our appliances, cooking loss — moisture lost from meat — can be reduced by 10% to 30% compared to traditional cooking. Moreover, our appliances cook evenly on all racks, and the intelligent cooking profiles ensure the desired result every time, virtually eliminating waste.

Based on an estimated number of 140 million meals prepared each day in our appliances and the assumptions in the table below, our customers worldwide can save around 280 thousand tonnes of meat per year⁵.

CO₂

The annual savings in CO₂ through using our technologies compared to traditional cooking methods amount to around nine million tones, a result of the reduced energy consumption and lower use of meat.

Water of potable quality

Our appliances also save a lot of drinking water. These savings result from the use of both models. A practical study demonstrated total water savings of 53% through the use of our appliances compared to traditional cooking technology. Based on the estimate of up to 140 million meals prepared each day, this results in savings of around 63 billion litres of water per year compared to traditional cooking methods.

² In collaboration with the ABB Schweiz AG staff restaurant in Dättwil, Baden operated by the catering company SV Schweiz.

³ The U.S. Energy Star is the symbol of energy efficiency supported by the U.S. Government. The energy consumption of our appliances is determined by an independent testing institute, submitted by it to Energy Star and then examined by Energy Star to ascertain whether the demanding limit values are achieved.

⁴ The label is only assigned for a product category if a sufficient number of measured values for products from different manufacturers exist in this category. A sufficient number of measured values have not been submitted for RATIONAL's remaining appliance types and sizes, which means that no Energy Star can be assigned as yet in these categories.

⁵ Assumptions: 140 million meals a day, 40% meat content, 160 grammes of meat per meal, usage 6 days a week. 10% reduction in use of raw ingredients per meal cooked.

Time

iCombi and iVario make work significantly easier for their users and help to noticeably reduce stress in terms of time, performance and physical strain.

Overnight cooking and ConnectedCooking spread out the cook's workload because the equipment works without their physical presence and can also be controlled and adjusted remotely. Intelligent cooking profiles and the automatic raising and lowering system of the iVario reduce the cook's time pressure since the food does not have to be removed with down-to-the-second precision. The appliance stops on its own when it's done or automatically lifts the pasta from the boiling water.

The iCombi has a feature called iLevelControl, which makes it easy to cook different products simultaneously. Various products can be placed on several racks and the iCombi notifies chefs when each has finished cooking. That means, for example, that a complete warm breakfast can be cooked in one iCombi, thereby saving chefs a huge amount of time. A new feature is that chefs can choose what is to be optimised in mixed loads: the cooking time, the end of cooking time, or energy consumption.

Thanks to the fast cooking and response times of both appliance types and the resulting much faster heat-up times, cooks can plan their workday more flexibly. In the evening, the iCombi appliance doesn't need to be cleaned manually, because it does that on its own.

Ergonomics and occupational safety in the professional kitchen

RATIONAL strives to protect the health of those who use its appliances. Work in commercial kitchens all over the world sometimes comes with its special risks. The stress and hectic pace involved, the need to haul heavy loads and handle hot liquids, and the heavy time pressure are recurrent challenges that chefs face. The following overview shows what we consider to be the main health risks for employees in professional kitchens and the key sources of danger.

	Sources of danger									
	High heat radiation	Hot surfaces	Hot steam	Working height — overhead tasks	Air-borne toxins	Heavy loads	Hot liquids	High humidity	Cleaning chemicals	Stress
Health risks										
Spinal injuries				x		x				x
Scalding			x	x			x			
Burns		x								
Chemical burns									x	
Respiratory diseases					x				x	
Mental stress										x
Cardiovascular diseases	x				x			x		x
Cancer					x					

Reducing the risk from hot liquids, steam and surfaces

The air quality in the kitchen is hot, humid and hence very unhealthy when traditional cooking technology is used. A Norwegian study published in January 2019 shows that cooking also releases irritants and allergens into the air. As a result, kitchen staff are permanently subjected to pollution that is classified as hazardous to health.

The iCombi has a closed cooking chamber that is highly insulated with a triple-pane glass door. In the iVario, only the

base of the pan is heated, and because of its high cooking speed and rapid response the appliance is only switched on when it actually needs to cook. With the iVario, the edges of pans also remain completely cold so that users cannot burn themselves.

Another benefit is that the iCombi dispenses with hot fat almost completely. Work accidents involving hot fat can therefore practically be ruled out.

Both appliance types have automatic drains that eliminate the need for open drains for the hot, steaming water. A two-stage safety lock prevents injuries which would be caused by large amounts of hot steam escaping from the iCombi and high levels of air pollution. Since the door can initially only be opened a crack, the exhaust system immediately extracts the air-steam mixture upwards so that it poses no hazard to the user. With the iVario, the automatic tilting system helps the kitchen staff handle large amounts of hot liquid, thus reducing the risk of accidents.



“Health is not everything, but without health, everything is nothing.”
Arthur Schopenhauer,
German philosopher and writer (1788–1860)

Improvement in cleaning processes

As with a domestic dishwasher, the iCombi cleans itself automatically using cleaning chemicals in the form of tabs. Chemical burns to the eyes, respiratory system and skin caused by spraying and handling liquid chemicals, as well as the transportation of bulkier liquid detergent containers, can thus be minimised.

Optimisation of ergonomics

The height of the highest rack position of an appliance plays a critical role for occupational safety. RATIONAL has set a groundbreaking standard in this area, which is the maximum height recommended by the German Berufsgenossenschaft Nahrungsmittel und Gastgewerbe, the statutory accident insurance company for people in the food and catering industry. The new iCombi meets these requirements in most cases, depending on the installation setup. The restriction reduces not only the risk of burns from hot liquids being carried overhead, but also reduces the strain on the kitchen workers' backs because they no longer need to lift heavy containers overhead.

Another source of back pain is minimised by special transport accessories for large amounts of food and the automatic tilting system of the iVario.

An innovation introduced for the iVario in 2020 is its height adjustment feature. Adjusting the appliance to the perfect height is the best-possible way of ensuring users do not have to adopt postures that put a strain on their back.

Less time pressure

Stress is considered the source of many complaints. The pressure to perform, physical strain or lack of time can lead to various physical and/or mental illnesses. We refer readers to section 2.1 “Appliances that offer efficiency in diverse ways”, where we describe how our appliances help reduce stress in everyday work.

Certification

To ensure the safety and health protection of the appliances, we have them certified with the German GS (“Tested Safety”) mark. That means we have the products tested and production inspected by an independent testing and certification body.

Food made easy. Gentle cooking for a healthy diet.

“You should offer your body something good so that your soul likes to live in it.”

Winston Churchill, former British Prime Minister (1874–1965)



SDG 3

The ideal cooking quality of our products ensures a healthy diet by preserving nutrients, reducing harmful substances and delivering greater enjoyment. The appliances also guarantee high hygiene standards, which prevents the spread of pathogens.

RATIONAL's mission is to offer people healthy, high-quality nutrition through the way our appliances cook food. Healthy nutrition is not only about providing important nutrients — eating is about enjoyment and feeling good.

There are eight dimensions of food quality according to the literature (see the figure below). We can cater within four of these dimensions with our appliances and so make a significant contribution to better quality of life. These are the socio-cultural, health, enjoyment and ecological value.

Because of the importance of this issue, our nutrition experts work closely with the Executive Board to continuously improve and further develop the foods that are produced.

Healthy nutrition is an important goal for our developers of both the iCombi and the iVario. The iVario impresses with high cooking speeds and an even heat distribution of the heated surfaces. As a result, little fat is needed for cooking, the food remains juicy, and vitamins, trace elements and other nutrients are better preserved in the food than when cooked using traditional cooking appliances. This has a positive effect on taste, food tolerance, and nutrition.

The following statements generally relate to both the iCombi and the iVario. However, according to our estimates 94% of RATIONAL units currently in use are combi-steamers. In 2020, more than 90% of all units sold were combi-steamers. Therefore, some of the following analyses and key figures essentially apply to combi steamer technology.

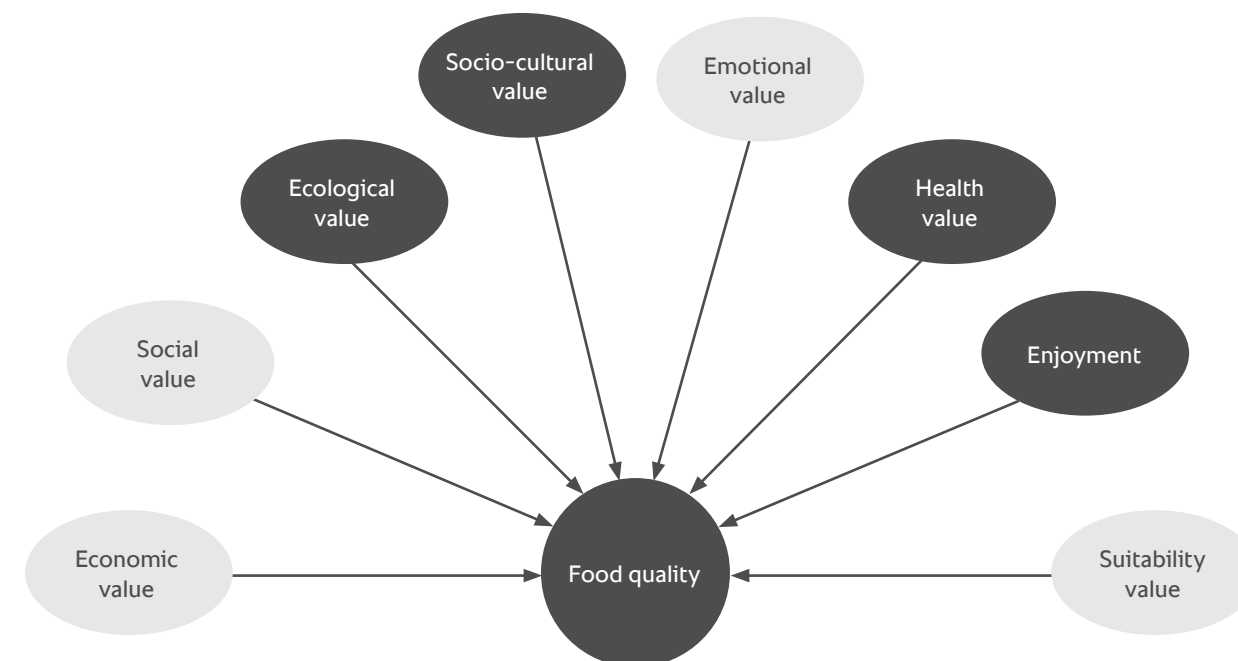
Enjoyment

The enjoyment derived from eating is a factor that should not be underestimated in assessing the quality of food. Whether a meal is perceived by our senses as enjoyable and high-quality depends on what it looks like, the sounds made when food is eaten — such as the crispy crackling on a roast joint — and on taste, mouthfeel, and smell. If these aspects are perceived as positive, that has a huge impact on the quality of food.

RATIONAL therefore has trained employees who are solely responsible for ascertaining the sensory aspects and enjoyment of the food when new appliance generations are being developed. For this, we have conducted diverse tests on sensory aspects with our sales chefs from a wide range of countries.

We have founded our own application development centre in Shanghai to specifically address cooking requirements in China.

With each generation of appliances, we therefore measurably increase the tastiness, the quality of the meals as perceived by our senses and hence the level of enjoyment.



RATIONAL's method of measuring the sensory perception of meals on the basis of look, sound, taste, mouthfeel, and smell allows the quality of food to be quantified on a scale up to 100 points. The cooking result is compared with the respective expectations of customers worldwide on the basis of a large number of characteristics. The cooking profiles are then updated in the software for the appliances for the country in question.

When we launched our new iCombi generation of appliances, we modified how the scores for sensory quality were calculated so as to obtain greater precision in the event of deviating results. To enable an even better assessment of the degree to which customers' wishes are met, higher points deductions are imposed even in the case of minor deviations under the new method.

The following scores are the mean values from 75 tests with different, internationally representative foods, in each case cooked using both generations of appliance. With our previous products, we achieved a sensory quality of 77.6 points using the new method of calculation (old method: 87.6 points). We improved those scores further with the iCombi. The corresponding comparative score with the new generation of appliances in the tests was 80.5 points (old method: 85.6 points). That means the cooking result with the new appliances is even closer to what customers ideally want, resulting in a better culinary experience for guests and making a positive contribution to their well-being and health.

Health value

The most important purpose of food is to provide our body with nutrients. No harmful substances are produced during the cooking process when food is prepared by steaming. In addition, a significantly higher proportion of vitamins, minerals, trace elements and secondary plant substances are preserved with steaming than with traditional cooking methods. Steaming also allows food to be prepared with far less fat.

› More nutrients

Traditional food preparation depletes valuable nutrients through heat or by flushing them out. Scientific studies show that steaming preserves minerals, vitamins, trace elements, secondary plant substances and other nutrients much more effectively, which in turn strengthens the immune system.

Since the iCombi saturates the food with steam very quickly, it cooks much faster than competitor models that we compared to it. This stops enzymes that break down water-soluble vitamins or secondary plant materials (such as chlorophyll) very rapidly, and the valuable nutrients are retained more effectively.

Thanks to special cooking methods available with the iCombi, the right dish in the right amount can be served fresh at any time with a large number or wide variety of dishes. This avoids nutrient-killing practices, like keeping food warm or reheating it.

Our connectivity solution ConnectedCooking enables cooking to be standardised on all connected appliances. Within the new recipe management system, users can post their own recipes in the globally accessible database or get inspiration from other recipes. If the recipes have been verified by RATIONAL, users can then be assured of the meal's particularly high quality.

In the future, we will provide our connected customers with a private section in which they can add their own recipes. These recipes are then accompanied by details on nutrients, allergens and ingredients, meaning ConnectedCooking can always calculate how nutritious a meal is overall. That way, users can adapt very precisely to their guests' needs.

› Less fat

Food cooked in a combi-steamer with steam and convection requires very little fat. The RATIONAL CombiFry system allows food to be deep-fried in top quality and without additional fat. Scientific studies have shown that gentle fat-free cooking is much healthier and can reduce caloric content by up to two thirds.

› Fewer harmful substances

Steaming is not currently known to generate any harmful substances. Germany's Federal Ministry of Food and Agriculture therefore recommends steaming as the preferred cooking method, because grilling, roasting, frying, baking and deep-frying produce harmful substances in the food. RATIONAL cooking profiles are designed in such a way that the food is fried and baked as gently as possible to minimise the production of harmful substances.

The transfer of micro-organisms and harmful substances in the water to food is considered a risk, particularly in countries with low water quality. In order to counter this risk, RATIONAL appliances produce the steam outside of the cooking cavity in a separate steam generator so that no harmful substances in the water can enter the cooking cavity or reach the food.

› High hygiene standards

RATIONAL products are always supplied with default settings, which ensure the hygienic safety of the cooking process and maintain the original quality of the food. The accurate temperature control in the iCombi ensures that high-risk foods are heated to hygienically safe temperatures to minimise dangerous germs in the food being cooked. This function will play an increasingly important role in the future.

Multi-resistant pathogens are an increasing problem in the generation of foodstuffs but also in further processing stages. In addition to setting high hygiene standards, this problem can be brought under control by using the right cooking methods. A basic rule to remember when cooking meat, for example, is that most of the dangerous germs are destroyed after 10 minutes at 70 degrees. This rule can be applied using our core temperature sensor, which measures and documents the meat's core temperature during cooking.

Automatic recording of the HACCP data (hazard analysis critical control point) allows the chef to monitor and ensure the hygienic safety of the food served at all times. The HACCP data recorded can then be evaluated continually by the chef on a daily basis using ConnectedCooking and made available to the regulatory authority as needed. ConnectedCooking allows direct intervention during ongoing cooking processes to make any adaptations necessary to ensure the hygienic safety of the food served. Our intelligent iCareSystem ensures automatic, perfect cleaning and descaling.

Various newsletters and reports from the Robert Koch Institute additionally supply our laboratories with up-to-date information. The best possible solutions for killing off bacteria and viruses by cooking are then integrated into our cooking profiles.

In the future, we also want to present all cooking processes and temperature profiles in a transparent manner with

ConnectedCooking. Users can display the steps that are critical to hygiene — from goods receipt to goods issue — on their smartphone with the aid of the "Task Management Tool". To ensure a flawless hygiene chain, for example, receipt of the goods must be documented correctly, the delivery note must be received, the goods can be photographed and it's possible to track that the goods have been stored correctly in the cold store. Users can also set up extra temperature sensors outside and inside food that has not yet been placed in a RATIONAL appliance. In particular, that enables correct monitoring of food where hygiene is of critical importance, such as with meat, at all times.

Socio-cultural value

Food creates a sense of identity. We associate it with home and familiar rituals. Every culture has its very own special eating habits that are shaped by history and lifestyle. We at RATIONAL are aware of that. That is why it is hugely important for us to take into account as many of them as possible in developing our appliances.

Based on decades of RATIONAL cooking research, we have developed intelligent cooking profiles that use perfectly coordinated hardware and software to consistently produce food according to the cultural eating and cooking habits in around 120 countries. In terms of smell, taste, sound, look and texture, the meals increasingly match the cultural and personal culinary expectations in more and more countries.

Ecological value

In developing our products, we pay great attention to ensuring that they are as efficient as possible. As a result, our appliances save energy, water, cleaning chemicals, raw materials and time and reduce CO₂ in the preparation of food (see above).

Less is more. Durability and recyclability.

“Just avoid saying that fatal word: can’t!”

Werner von Siemens, German inventor and industrialist (1816–1892)



SDG 12

RATIONAL's products are designed to last a very long time. The appliances can be recycled at the end of their service life due to the high degree of reusability of their components. As a result, we systematically avoid unnecessary material waste.

Based on our internal estimates, 94% of the RATIONAL appliances currently in use are combi-steamers. More than 90% of all appliances sold in 2020 were combi-steamers. Accordingly, the following statements apply in part solely to combi-steamer technology. They are commented on in the following.

Protecting the environment is a key element in our sustainability efforts, which is why we strive to leave as small a footprint as possible across the entire product life cycle. We aim to ensure that by delivering appliances that have a long service life. After all, our goal is not to make a quick profit with products that last only a short time. We believe it is important for our customers to be able to use their high-quality appliances for as long as possible.

Durability

RATIONAL wants to offer its customers appliances they can rely on for a long time to come by designing them from the start for a minimum life cycle of ten years, even under extreme loads. To enable that, the requirements for ensuring a product has a long service life are broken down from the overall system to the individual functions and components and defined. The solutions to satisfy those requirements are then developed. Finally, our appliances and their individual parts are subjected to intensive continuous testing to ensure that they actually have a long service life.

However, if components or parts should fail, it is important that we are able to supply a replacement quickly. That means customers can continue using their original appliance with the new components. That is why we guarantee customers the availability of spare parts even for appliances that we no longer produce.

In 2020, we generated sales revenue of 3.5 million euros from service parts for combi-steamers that were produced only up to 2004 (2019: 5.5 million euros; 2018: 6.3 million euros). This confirms that many of our appliances are still in use even after at least 16 years. One of the reasons for the significant decline is the restrictions on our customers, and hence decreased service activities, as a result of the corona-virus.

Recyclability

However, we do not want our appliances to be simply thrown away when they reach the end of their long service life — after all, a large proportion of the components in them can be recycled. Recyclability is also enshrined in the goals of our projects. That ensures future appliance generations will also be able to be recycled to a large extent.

The new combi-steamer series iCombi was launched worldwide in May 2020. The almost unlimited means of forming plastics was used to enable compact designs and a high level of functional integration. Systematic use of plastic components resulted in a slight reduction in total material usage. In particular, partial substitution of stainless steel by plastic, as well as leading-edge designs and joining techniques, mean that more than 20 kg less stainless steel is used in each appliance, resulting in a significant reduction in energy consumption in making the raw materials. Weighted by the share of sold appliance sizes, the total average weight per sold appliance was reduced by 5.6 kg.

One significant aspect is the approximately 14 kg increase in the weight of the installed electronics and other technical components. More electronics means we can deliver smarter and more energy-efficient components and so create more compact designs. The ratio of glass used was reduced somewhat due to the fact that the VarioCookingCenter and iVario accounted for a slightly larger proportion of total sales. All in all, around 90% of installed components (in terms of weight) can be recycled. A high degree of reusability means parts can be returned to the product cycle. As a result, resources are conserved and waste is reduced. Moreover, our customers can recycle the appliances after their long service life and so benefit from the high scrap value of stainless steel or electronics components. If customers wish, we collect their old appliances and return them to the raw material cycle.

Today, most of all the materials used can currently be recycled with little technical effort and with almost no residue and then returned to the raw material cycle. The table below shows the distribution of materials used in the production process. The distribution is measured by the weight of the materials as an average for the RATIONAL appliance family.

Materials used by weight (%)

	2019	2020
Stainless steel	75	69
Glass	9	8
Electrical materials and electronics	7	12
Insulation	5	5
Plastic	4	6

“The least movement is
of importance to all nature.”

Blaise Pascal, French mathematician,
physicist and Christian philosopher
(1623–1662)

Kind to the environment. Resource-efficient production and logistics.

Environmental performance evaluation

As a company that focuses on sustainability, we incorporate environmental considerations as far as possible into all of our business decisions. As part of RATIONAL's environmental performance evaluation, we determine relevant consumption and disposal indicators, compare them against the targets defined at the start of the year, discuss them with senior management and develop appropriate measures.

At the Landsberg am Lech (Germany) site we maintain an environmental management system that is certified according to ISO 14001 and an energy management system that is certified according to ISO 50001, and set targets every year for the reduction of waste as well as for resources, water, energy, and fuel consumption. Moreover, since 2020, our Landsberg am Lech site has been certified in accordance with the IEC 63000 standard with respect to the restriction of hazardous substances. In 2021 we plan to certify the environmental management system at our Wittenheim (France) site in accordance with the requirements of ISO 14001.

The materiality analysis we conducted together with our stakeholders identified water consumption and waste generation as the key site-specific environmental issues. They are therefore looked at in more detail in the following.

As part of our environmental performance evaluation, we set targets for reducing consumption of various resources relative to the number of produced appliances.

We constantly try to minimise the volume of waste by means of suitable measures and projects. Due to the fact that the regulatory requirements on the classification of waste as hazardous and non-hazardous keep on changing, we believe it does not make sense to define annual quantitative targets.

Like the volume of waste, water consumption usually fluctuates significantly due to construction and development projects. Nevertheless, we regularly set ourselves the target

of reducing water consumption per appliance made at our two production sites Landsberg and Wittenheim by one percent.

Due to the fact that the performance indicators were expanded in 2020 to cover the Wittenheim site, the comparative figures for 2019 also include consumption at Wittenheim so as to ensure comparability over time.

Drinking water consumption



SDG 6

We specifically try to keep on reducing water consumption by setting targets for water savings.

We constantly strive to minimise our water consumption. As part of that, we regularly examine our drinking water networks for leaks where liquids may escape unintentionally. Polluted waste water is cleaned and improved to drinking water quality by a treatment plant that is regularly checked by an independent institute. Regular tests are conducted to check the quality of waste water. No protected bodies of water are affected by the withdrawal of water and discharge of waste water. All our service water is obtained from the municipal utility Stadtwerke Landsberg. We now operate four wells to use geothermal energy.

Our target in 2020 was to use one percent less water per appliance produced. We failed to reach that target by a clear margin. Water consumption rose by 7% in absolute terms in 2020. That is mainly attributable to the extensive product testing as part of development of the new product generations. On the other hand, the number of produced appliances fell by more than 20%, a result of the slump in sales caused by the coronavirus crisis. All in all, water consumption per appliance produced increased by 41%.

Water consumption per appliance produced⁶

in litres	2019	2020	Change in %
Water consumption	274	385	+41

⁶ The figures relate to the production sites Landsberg am Lech and Wittenheim; the figure for the previous year was adjusted from that in the previous year's report due to the inclusion of Wittenheim.

Waste generation

Our goal is to reduce waste and dispose of it in an environmentally friendly manner, separated it into fractions, and in compliance with statutory regulations. Waste is recycled or recovered for its energy in accordance with the high legal standards and the recommendations of our waste disposal companies. The low quantities of hazardous substances are disposed of by a specialist company in compliance with the German Circular Economy Act. Our compliance with standards, legislation and guidelines is continually monitored in internal audits and certified annually by external auditors (DEKRA).

Waste generation per appliance produced ⁷			
in kg	2019	2020	Change in %
Hazardous waste	0.028	0.126	+347
Non-hazardous waste	18.36	23.89	30
in %			
Share of non-hazardous waste	0.2	0.5	

The proportion of hazardous waste relative to total waste generation is less than one percent and hence very low. That proportion rose significantly in 2020, in particular due to the fact that further types of waste were classified as hazardous. Given that hazardous waste accounts for a low volume, the result is a volatile change.

Hazardous waste

The types of waste classified as hazardous in our production processes totalled 8.6 tonnes in 2020 (2019: 2.5 tonnes).

The significant increase in hazardous waste is mainly attributable to four types of waste: V2A dust⁸, insulating material, cleaning towels and compressed-gas containers (spray cans). Adjusted for these special effects, which are described in the following, there was a decline in types of waste classified as hazardous roughly in line with the fall in the volume of production.

⁷ The figures relate to the production sites Landsberg am Lech and Wittenheim; the figure for the previous year was adjusted from that in the previous year's report due to the inclusion of Wittenheim.

⁸ V2A steels are alloyed with chrome and nickel; V2A dust is produced as waste when they are processed.

V2A dust from metal processing has been classified as a hazardous type of waste since May 2019. Since then, a total of 3.6 tonnes of V2A dust has been extracted directly in the production process and collected in special containers, instead of being disposed of with the metal waste. The total volume from this period of time (May 2019 to December 2020) was disposed of at the end of 2020 and is included in the volume of waste disposed of in 2020.

The situation was similar for compressed-gas containers used in the production processes. Due to the risk of explosion, they have been classified as hazardous waste since mid-2019. In 2020, around 1.4 tonnes of compressed-gas containers were collected in special waste containers and disposed of separately. Up to 2019, they were mainly included in the mixed commercial waste.

In addition, the change in product series meant that around 0.7 tonnes of insulating material for combi-steamers from the old series were disposed of in 2020.

In order to reduce electropolishing slurry, we largely switched to using paper towels for cleaning welding seams. Electropolishing slurry is a waste product from the production process. The plant for treating the waste water produced through this is regularly maintained. The process is monitored every month and external audits are conducted. The launch of the new combi-steamer series was accompanied by a change to the welding processes for all appliance types, meaning once again that significantly less electropolishing slurry will be produced. Electropolishing is occasionally necessary only for manual rewelding work. Electropolishing slurry was produced in 2020 in particular as part of the production of pans for some of the new iVario appliances, which commenced at the Landsberg site in the same year. Here, too, we plan to switch the welding processes in the medium term so as to reduce electropolishing slurry. This change in the cleaning process resulted in an increase of around one tonne in waste from cleaning towels. The soiled towels are classified as a hazardous type of waste.

Non-hazardous waste

Waste materials not classified as hazardous are recycled to a large extent. We pass on the reusable materials (stainless steel, mixed scrap metal, paper/cardboard, glass) to spe-

cialised recycling companies. We mostly receive compensation from the disposal companies for these separated recyclables.

Wood and commercial waste, building rubble, green waste and food waste are disposed of by certified disposal companies. The food waste undergoes thermal recycling (in a biogas plant).

A large part of the waste is separated into fractions by us. The rest, so-called commercial waste, is taken to suitable sorting plants by disposal companies engaged by RATIONAL so that some of this waste can be recycled.


In 2020, the types of waste classified as non-hazardous were around the level of the previous year in absolute terms. Waste generation per appliance produced rose significantly only because of the sharp decrease in the number of appliances.

Use of paper

Paper consumption at the Landsberg and Wittenheim sites in 2020 fell by around 27% year on year as a result of the lower number of appliances made due to the coronavirus crisis and the fact that employees worked from home to a much larger extent. Paper consumption per appliance produced was reduced slightly by 2% year on year from 624 to 609 grammes.

Paper consumption per appliance produced			
in kg	2019	2020	Change in %
Copy and writing paper	0.227	0.196	-14
Print on demand (manuals for the appliances)	0.398	0.413	4
Total paper consumption	0.624	0.609	-2

Energy and fuel consumption



SDG 7

We specifically try to continue reducing our energy consumption by setting targets for energy savings.

Energy consumption at the Landsberg sites and fuel consumption by the vehicles registered at the two sites for the main sources of energy used (natural gas, electricity, diesel and petrol) developed year on year in 2020 as follows.

Energy consumption per appliance produced			
in kWh	2019	2020	Change in %
Electricity	110	104	-5
Natural gas	46	54	18
Total energy consumption	156	190	22

All in all, we reduced electricity consumption by around 7% compared with 2019. The main reason for that was lower production volumes due to the coronavirus. Construction work to expand the logistics centre at Landsberg am Lech for the global shipping department began in September 2020. Around 15,000 m² of gross floor space was created by the end of 2020. More electricity was therefore consumed as a result of the related construction measures and greater space available.

All in all, that resulted in an increase in energy consumption of approximately 22% per appliance produced.

Fuel consumption by the company fleet Per appliance produced			
in litres	2019	2020	Change in %
Diesel	6.8	7.0	3
Petrol	0.6	0.7	10
Total fuel consumption	7.4	7.7	3

98% of company vehicles with internal combustion engines comply with the Euro-6 standard. We also use five small electric vehicles for in-house passenger transport. Despite the significant slump in sales volumes, specific fuel consumption per appliance produced rose only slightly by 3%, which was attributable to the contact restrictions due to coronavirus, the resultant cancellations of trade fairs, customer events and customer visits, and a significant increase in working from home among employees at the sites.

Mileage for the company's fleet in 2020 fell by around 20% year on year. Fuel consumption per kilometre travelled fell slightly by 1%. Since fiscal 2019, the criteria applied are the mileage of all passenger cars and, in accordance with ISO 14001 and 50001, the key performance indicator "litres per 100 km".

Emissions

By using modern building technology and optimising our production processes, we hold CO₂ emissions to a low level. From 2010 to 2019, we maintained total CO₂ emissions at a constant level, while the number of appliances we produced was roughly doubled. CO₂ emissions per appliance produced were therefore approximately halved.

In 2020, CO₂ emissions were reduced further by around one-third as a result of the sharp decline in activities due to coronavirus. In particular, less air travel led to a significant drop of 71%. We also halved emissions from energy consumption. Since 1 July 2020, the electricity we obtain from our power utility is generated solely from renewable sources (green electricity). In addition, the lower mileage travelled by our company cars — and, doubtless, by employees with their private cars — reduced emissions by around 20%.

CO₂ emissions

in tonnes	2019	2020	Change in %
Scope 1 (fleet, heating energy)	2,588	2,083	−20
Scope 2 (electricity)	3,150	1,484	−53
Scope 3 (flights)	3,065	898	−71
Total CO ₂ emissions	8,804	4,465	−49
Per appliance produced	0.099	0.066	−34

Customer-focused packaging



SDG 12

Wherever possible, we use recyclable or environmentally friendly materials for packaging our combi-steamers.

Wherever it makes sense, we use recyclable or environmentally friendly materials. We especially try to avoid or reduce plastic and foil wherever the specific product characteristics make that possible. The corrugated cardboard packaging used for our appliances consists of 75% recycled material.

We focus in particular on avoiding transport damage by using suitable packaging materials. The table below shows the distribution of packaging materials.

Total amount of packaging materials
RATIONAL Group 2020

in tonnes	2019	% of total	2020	% of total
Cardboard	1,184	31	1,313	37
Plastic	622	16	492	14
Foil	173	5	124	4
Wood	1,792	48	1,573	45
Total	3,771		3,502	

The packaging we use for our appliances is almost fully recyclable. As part of our switch to the new appliance series iCombi and iVario, we again significantly increased the ratio of cardboard. However, that increases the overall weight of the packaging for our appliances. Our service parts and accessories are almost exclusively packaged in cardboard and wood. It is only for care products that we primarily have to rely on plastic packaging. Most of these are sold in the form of tabs, while a small amount is also sold as a liquid product. To permanently ensure the product quality, the liquids must usually be packaged in canisters or in plastic buckets and foil. Accordingly, around 90% of the packaging material is plastic or foil.



“We will either find a way or make one.”
Hannibal Barkas (around 247–183 BC), Carthaginian general

“If you treat people as they are,
they will become worse.
If you treat them as they could
be, they will become better.”

Johann Wolfgang von Goethe, German poet
and naturalist (1749–1832)

Our engine that drives sustainability. Our employees.

The total number of employees in the Group went down in 2020 from 2,258 to 2,180 (as of 31 December 2020). The table below shows the regional distribution and development:

Employees by region				
	2019	% of total	2020	% of total
Germany	1,232	55	1,223	56
Europe (excluding Germany)	582	26	549	25
North America	151	7	140	6
Latin America	84	4	62	3
Asia	196	9	196	9
Rest of the world	13	1	10	0
Total employees	2,258		2,180	

Note: the total for the percentages shown may not be exactly 100 due to rounding.

Entrepreneur in the Company — U.i.U.® Compass

Our employees have been the basis of our success in recent decades. To be successful we need the best and most satisfied people who are highly committed and dedicated every day to being there for our customers.

It is precisely for such employees that we create an environment in which they can develop their abilities freely and independently. The principle of the Entrepreneur in the Company (U.i.U.)®, which is based on a decentralised management structure, high levels of personal responsibility and self-organisation, forms the basis for that.

In 2018, we conducted our first Group-wide employee satisfaction survey in cooperation with the market research institute Kantar. We repeated this employee satisfaction survey in 2020. 83% of our employees worldwide answered 52 questions and made use of the Comments field to add their own remarks. To satisfy the high standard we set for ourselves, we compare our results with those of the best 25% companies from all Kantar surveys (top 25 benchmark). Two values from the U.i.U. Compass demonstrate very clearly that employees feel at home at RATIONAL: 89% of them are proud to work at our company. The engagement index

stands at 83% (top 25% companies at Kantar: 85%). We thus confirmed the very high scores from 2018.

Employees especially appreciated the good development opportunities as well as the clear assignment of responsibilities and setting of corporate goals. In addition, employees value the high regard and respect shown toward them and the support given by their direct manager, and voiced their trust in senior management.

The main challenges listed by the employees are the increased workload due to the strong growth and the need for improvement to structures and decision-making processes. Other employee wishes include clarity about development opportunities and more flexible adaptation to changes in the industry.

RATIONAL takes that feedback from employees very seriously and regards this instrument as a key milestone in its corporate culture, which is why many suggestions and wishes were put into practice following the survey in workshops held by all managers with their team. The RATIONAL Culture Group was set up specifically for that purpose and consists of volunteer international employees who help inject new impetus and fresh ideas in the fields of health, well-being, project management, process management and communication. The Culture Group advises the Executive Board by making concrete suggestions and recommendations.

We believe that the employee survey generates great benefits for our company. Employees can actively shape RATIONAL's future and thereby make a valuable contribution to establishing a thriving and lively corporate culture. To maintain this lively spirit and high degree of engagement, we plan to repeat this survey every two years and derive measures from its results.

In order to meet employees' wishes for more flexible ways of working, as well as to address safety aspects against the backdrop of the coronavirus crisis, the home office agreement that came into effect in March 2019 was expanded significantly. Time spent working from home increased in 2020, as a result of the constraints imposed by the coronavirus, as long as that was compatible with business requirements. Employees were provided with the equipment they needed to be able to work from home as often as possible so that they could perform their work with the same level of quality.

To strengthen communication channels at the company, two neutral contact persons, one in Switzerland and one in France, were appointed in 2019 in addition to the three existing confidential advisors in Landsberg.

Our forum for entrepreneurs, in which the Executive Board members report regularly on the latest business developments, could not be held due to the pandemic.

Since the spring of 2020, the members of our Executive Board have instead broadcast video messages in German and English to our employees worldwide. That not only improves communication from Landsberg to our foreign subsidiaries; the fact that the videos are provided on an online platform means employees all over the world can respond to the messages with questions and comments. Moreover, a global company-wide conference channel was set up and is used by employees not only as a formal means of sharing information, but also for personal networking and simply expressing opinions between colleagues.

Satisfied and loyal employees

As a reflection of the employee-centric measures we have taken, employee retention and satisfaction are at a high level. One upshot is the strong feeling of loyalty among our workforce. Staff turnover was 9% worldwide (2019: 8%).

Thanks to the increase in our workforce over many years, our efforts to foster young talents and our employees' high degree of loyalty, we have a very healthy mix of young, talented and ambitious employees and long-standing, experienced staff. Approximately a third of the workforce has now been with RATIONAL for longer than ten years. Around 1,000 relatively new colleagues who have joined us in the last five years inject a fresh perspective and their experience from earlier stations in their career. The average length of service is 9 years.

The average age of the workforce at the reporting date in 2020 was 42 (2019: 41). The table below shows the age structure:

Employee by age group				
	2019	% of total	2020	% of total
up to 30	392	17	334	15
31 to 40	718	32	694	32
41 to 50	664	29	630	29
51 to 60	411	18	432	20
60 to 65	66	3	81	4
> 65	7	0	9	0
Total employees	2,258		2,180	

Note: the total for the percentages shown may not be exactly 100 due to rounding.



Training and education
at RATIONAL

We need to encourage U.i.U. who use their own mind, help shape our company and work independently, yet also challenge them. We offer extensive training and education opportunities to help our employees develop personally and professionally in the best possible way.

That increases know-how in the company, fosters innovativeness, performance and a willingness to achieve, and enhances employee satisfaction. Ultimately, all that has a positive impact on our company's productivity.

Internal further training

RATIONAL offers a large variety of interdisciplinary and subject-specific internal training throughout the company.

In the past, the number of participants in the interdisciplinary training courses alone — in fields such as languages, leadership or projects — was more than 500. These courses are highly popular and are therefore booked out very quickly. That is mainly attributable to their high quality: the feedback from the (mostly anonymous) surveys after them is always positive.

However, these interdisciplinary courses are just a small part of the further training we offer throughout the company. The individual departments also offer courses in sales, marketing, IT and many more subjects. We are also working continually to enhance our e-learning platform, on which most training courses were offered during the pandemic. Some of the training courses had to be cancelled due to the contact restrictions imposed to combat coronavirus. We plan to resume them without any changes once the contact restrictions are lifted.

External further training

In addition to our extensive internal training, we offer employees opportunities to attend courses held by external providers. We spent just under one million euros on external training services alone in 2019, but they had to be largely cancelled or postponed in 2020 due to coronavirus.

Vocational training

We see the focused promotion of young, talented employees as an important building block for the company's successful development and fitness for the future. Qualified vocational training therefore enjoys a very high priority at RATIONAL. We currently employ 67 apprentices in the following disciplines: industrial business managers, warehouse logistics, industrial technicians, mechatronics engineers, metal technology and IT specialists. 16 employees are on dual courses of study, combining studies with practical experience in computer science, mechatronics, engineering, international business and hotel and lifecycle catering. In addition, as at the balance sheet date, a total of 28 junior employees were involved in various programmes.



Equal rights and equal
opportunities

All employees are equally valued, are given the same respect and have comparable opportunities. By signing their contract of employment, they have committed themselves in writing to refrain from and act against any kind of discrimination, sexual harassment or other personal attacks against individuals. Five confidential advisors and the Compliance Officer are available to employees in the Group at all times. Any problems can be voiced and solved anonymously.

Skills, qualifications and experience are the only factors in deciding appointments or promotions. Compensation is likewise based on qualifications, experience and performance and is thus independent of a person's gender or ethnicity. All employees worldwide took part in online anti-discrimination training in 2020.

All companies and managerial levels in the RATIONAL Group are included in the calculation.

Employees per management level

	Female	% of total	Male	% of total
Executive Board	0	0	3	100
Management positions	69	19	297	81
Employees	514	28	1,300	72
Total employees	583	27	1,600	73
Total employees excluding Executive Board	583	27	1,597	73

Health protection for employees



SDG 3/8

We create an environment with decent working conditions, adopting stringent measures to safeguard the health and safety of our employees.

The health of all employees is a matter of great importance for us. Numerous measures to promote health and our safety facilities mean that employees suffer fewer occupational illnesses, injuries and strains. Employees can feel satisfied, be motivated and perform well only if the environment they work in is safe.

The information provided in this section refers to the Landsberg am Lech and Wittenheim production sites, at which just under two thirds of the entire workforce are employed.

Organisation

RATIONAL has its own "Occupational Health and Safety Promotion" organisation, made up of experts in the field of safety at work. It addresses issues such as health protection, work safety, occupational healthcare, training of safety experts, risk assessments, and health and safety training and instruction. In addition, there are quarterly meetings of the Work Safety Committee (ASA), which are attended by the company doctor, safety experts, the entrepreneurs or representatives appointed by them, to discuss occupational safety and accident prevention.

There are also annual safety audits by external auditors, who then submit a final report to the Executive Board. There are weekly internal inspections involving spot checks to ensure cleanliness and safety are maintained at the company. Special

attention is paid in them to safety aspects, such as alarm plans, equipment, fire prevention, escape routes, protection of PCs and floor markings, and action is taken in response to breaches. Due to the coronavirus crisis, the safety inspections were only held irregularly and the safety audits had to be postponed to 2021. These measures will be conducted again as scheduled as soon as circumstances permit.

Measures to increase safety

Explicit measures to ensure safety at work are the risk and hazard assessments for machinery, workplaces, products and activities. The aim is to determine the condition of the machinery, operating facilities, workplaces and products and identify the risk potential from hazardous substances. As a result, we constantly have an eye on potential risk situations for our employees and can intervene and take action if and when necessary.

Working with hazardous substances is also a safety risk for our employees. To minimise that risk, RATIONAL maintains a hazardous substances register and is currently setting up a software solution for that. The goal is to reduce the number of hazardous substances in the work environment and completely eliminate potential carcinogens. Implementation is expected to be completed in the autumn of 2021.

Measures to improve health

In order to promote employees' health, all staff are offered regular services by the company doctor.

A further measure to improve health and employees' work-life balance is the offering from qualitrain in Germany. RATIONAL enables staff to obtain low-cost membership so that they can pursue sporting activities at numerous sports and wellness facilities. We currently have 152 active memberships (using online offerings) and almost the same number of dormant memberships due to coronavirus — or temporary terminations with an option to rejoin when the situation permits (2019: 299 memberships).

Protective measures in the context of the coronavirus crisis

When the coronavirus broke out, a "Health" crisis team was set up, which continuously adapts and expands the company's pandemic plan and implements many protective measures worldwide to prevent employees and business partners from being infected or to keep infections down. The main measures adopted were a significant expansion in opportunities to work from home, the intelligent adjustment of the shift models to reduce the number of colleagues present at any given time, the requirement to wear a mask in accordance with statutory regulations, distancing rules, means of disinfection, and hygiene concepts in all subsidiaries worldwide. We are very pleased that, thanks to the good preventive measures and discipline of employees, no infection broke out at the company's sites.

Sickness rate at an inconspicuous level

The average sickness rate (sickness-related absences in relation to target work hours) at the Landsberg and Wittenheim⁹ sites was 4.5% (2019: 4.7%¹⁰) and hence slightly above the average computed for employees in Germany with statutory health insurance (4.3%). This figure is included in the HR department's monthly reports to the Executive Board.

⁹ The figures included for Landsberg and Wittenheim comply with country-specific regulations.

¹⁰ Disclosure were given only for the Landsberg site last year. In this report, the previous year's comparative figure has been adjusted to include Landsberg and Wittenheim.



// "It is health which is real wealth."

Mahatma Gandhi, Indian lawyer, pacifist and freedom fighter (1869–1948)

A matter of course. Ethics and legal compliance.



SDG 16

RATIONAL pays strict attention to compliance with human rights and is committed to combating corruption, bribery and cartels. RATIONAL operates fairly and in compliance with the law. As a result, we help ensure a more just society and economy.

Compliance with all applicable laws worldwide and alignment with nationally and internationally recognised standards of conduct as well as ethical conduct are a matter of course for us as a company and for our employees. Observance of human rights and combating corruption and bribery are essential standards in this regard.

This section is divided into two parts: an internal dimension, on the one hand, in terms of implementation in the RATIONAL Group. In the second part, we aim to show that our high standards are also observed externally in our supply chain.

Internal dimension: RATIONAL's compliance programme

RATIONAL's primary compliance aim is to preserve our values through compliance with all relevant legal regulations and internal specifications and thus also protect the company and its institutions. The RATIONAL compliance management system is therefore focused on avoidance of rule violations that can result in significant disadvantages for the company and its employees through criminal responsibility, civil liability or loss of reputation.

Social principles and policies are integral aspects of our actions and our internal standards. These standards demand that all employees worldwide behave fairly and cooperatively with respect to other employees, colleagues and all business partners.

A large proportion of RATIONAL's business activities is carried out in countries where strict legal standards apply. Production is performed exclusively at the Landsberg am Lech and Wittenheim locations. 81% of RATIONAL employees work in Europe, and 6% in North America.

Strict legal standards apply in these countries, which promote observance of human rights and proper business conduct. In accordance with the Transparency International (TI) Corruption Perceptions Index (CPI), we largely do business in countries that have a low risk of corruption. The size of our subsidiary in the UK means we are a signatory to the UK Modern Slavery Act. As part of that, we undertake to disclose human rights risks in our operations and supply chains and report on how we minimise those risks.

Regardless of the country-specific probabilities of occurrence, our compliance management system is intended to prevent, identify and sanction compliance violations in all markets in which we are active. Business ties with persons from "risk countries" on the FATF blacklist or a sanctions list are not permitted in principle.

Involvement of the Executive Board and Compliance Officer

Responsibility for compliance in the RATIONAL Group lies with the Executive Board of RATIONAL AG. As regards implementation, the Compliance Officer is tasked with the setting up and enhanced development of the compliance management system. The Compliance Officer reports regularly to the Executive Board. Moreover, local compliance managers have been appointed in the sales companies.

Once these disclosures have been examined and assessed, the Compliance Officer involves the relevant company departments as well as the audit function and — insofar as is necessary — the investigating authorities. Furthermore, the Compliance Officer is responsible for carefully and immediately documenting the disclosures that are to be processed as well as any compliance incidents.

“The way to the goal
starts on the day you
assume one-hundred
percent responsibility
for what you do.”

Dante Alighieri, Italian poet
and philosopher (1265–1321)

Involvement of employees

RATIONAL rules of conduct in business for employees

The legal provisions are set out in easy-to-understand language for all employees in our RATIONAL rules of conduct in business. Employees confirm acknowledgement when they sign their employment contract. They define specific rules of behaviour for dealing with business partners, such as the prohibition of unfair competition practices or avoidance of conflicts of interest. Employees also sign a confidentiality obligation and insider trading regulations.

Regular compliance training for employees

The contents of the compliance policies are conveyed regularly in the framework of training. New employees are provided with instruction on RATIONAL's compliance requirements and have to confirm their participation and acknowledgement by means of their signature. In 2020, all new employees who have contact with business partners on behalf of RATIONAL took part in compliance training. As part of that, all employees with access to the Internet complete an online training course. The other employees receive in-person training.

RATIONAL confidential advisors for employees

RATIONAL Group employees can consult the RATIONAL confidential advisors in conflict situations. Any disclosures received are forwarded to the Compliance Officer. If corruption is suspected, our employees are also free to contact our Compliance Officer anonymously at any time.

RATIONAL Guideline on Fair Competition for employees

This guideline explains when conduct can be regarded as preventing or restricting competition. Sales employees as well as employees in sales-related areas receive related training and gain certification if they successfully complete it. The Compliance organisation conducts an investigation as soon as it gains knowledge of violations of the guidelines. If the initial suspicion is confirmed, appropriate sanctions are initiated.

The RATIONAL Group's anti-corruption policy

The RATIONAL Group's anti-corruption policy defines documentation requirements and maximum permitted thresholds for giving and receiving gifts and invitations. The policy also regulates against rendering of facilitation payments by RATIONAL.

The RATIONAL Tax Handbook

The basic principles for proper conduct from a tax perspective are stipulated in the RATIONAL Tax Handbook. Observance of compliance regulations is checked within regular audits of subsidiaries and central processes based on a documented audit concept. The results of the audits are reported to the Executive Board and the Supervisory Board of RATIONAL AG.

Customer privacy

The RATIONAL AG data privacy management system was adapted in 2018 to take account of the provisions of the General Data Protection Regulation (GDPR) that came into force in 2018. Data privacy management has been continuously enhanced since then to reflect current circumstances.

Conformity with regulations in the reporting period

No substantial fines arose in the reporting period beyond the normal course of business as a result of non-compliance with laws and regulations. There were no grievances about ecological, social or human rights impacts, labour practices or violation of customer privacy. There were no incidents or grievances filed due to corruption, anti-competitive behaviour or anti-trust and monopoly practices. The company was not involved in any patent-related court action in 2020.

Corporate Governance — managing the company responsibly

The last amendment to the German Corporate Governance Code entered into force on 20 March 2020. Together with the Executive Board, an account was provided for the fiscal year 2020 in the Corporate Governance Report and Declaration of Corporate Governance pursuant to sections 289f and 315d of the HGB. RATIONAL AG largely complied with the recommendations and suggestions of the old version of the German Corporate Governance Code, which applied

from 24 April 2017 to 20 March 2020, and with the version that has applied since 20 March 2020, in the period of time during which each version was valid. This resulted in the submission of the declaration of conformity of 28 January 2021. This was resolved at the meeting of the Supervisory Board on 27 January 2021 pursuant to section 161 of the Aktiengesetz (AktG, German Stock Corporation Act) and published in the 2020 Annual Report. The declarations of conformity of recent years can also be found under Investor Relations on the RATIONAL website (www.rational-online.com).



“Coming together is a beginning, staying together is progress, and working together is success.”

Henry Ford, American entrepreneur,
founder of the Ford Motor Company (1863–1947)

External dimension: our supplier management

The information presented in this section concerns collaboration with suppliers of components for the manufacture of RATIONAL combi-steamers at the Landsberg am Lech site and the manufacture of our VarioCookingCenter and iVario at the Wittenheim site in Alsace.

Long-term, close bonds with customers

As a company with low vertical integration, we collaborate very closely and comprehensively with our suppliers. We offer them a long-term, reliable and trusting partnership and, in return, expect loyalty, quality, and innovative strength.

All in all, we source production material from around 190 suppliers of series products. More than 40% of suppliers of series products provide the RATIONAL Group with parts for both product groups. All suppliers of series products are based in Germany or in other European countries (including Turkey and Switzerland). We have worked for six or more years with around 80% of our suppliers.

Successful ethical collaboration

As part of our participation in the Code of Conduct of the German Federal Association of Materials Management, Purchasing and Logistics e. V. (BME), we expect our suppliers to have an environmentally friendly delivery and production policy, support anti-corruption and anti-discrimination measures, and reject agreements or collusion in violation of antitrust law. That goes for all business locations of the RATIONAL Group.

These expectations are communicated to suppliers in framework agreements (of which the Code of Conduct is a part) and in orders. Through their signature, contractors together with their business partners undertake to comply with this code of conduct and ensure that it is observed in their supply chain as well.

In addition to supplier certification, successful cooperation with suppliers is underpinned by open and regular communication, monthly reporting for the principal key figures and regular audits. Due to the current coronavirus situation, only 13 audits were carried out in 2020 (2019: 57). The RATIONAL supplier system separately assesses product quality and the quality of cooperation.

Process for selecting new suppliers

In order to obtain an initial estimate, as part of procurement marketing, as to whether suppliers can live up to our corporate principles, they must answer a supplier self-assessment containing pinpointed questions. It is the basis for the further selection process, in which suppliers are mainly chosen on the basis of the factors of quality, cost, delivery time, and sustainability.

The criteria of “environmental standards” and “Code of Conduct” are included in the selection, but are not initially the sole exclusion criteria. Framework agreements are concluded with suppliers of series products, which specify contractual standards, for example, cooperation, quality assurance, claims for defects, prices, confidentiality/competition, and integrity/code of conduct.

Regular audits

We have developed a new compliance management system (CMS) for the supply chain in cooperation with an external specialist and will use it in full for the first time in 2020.

Since 2020, we have been assessing our suppliers at random and on a rolling basis using the following criteria:

Criteria	Description
1. Integrity status	Check whether the supplier has subscribed and committed itself to a code of conduct and/or has likewise committed its own supply chain
2. Transparency International Corruption Perceptions Index	Location-based corruption audit
3. Corporate culture	Size of the company as a statement of awareness of legal issues by the supplier
4. Impact status on RATIONAL	There is a high level of dependency for more than 50% of the supplier's sales revenues with RATIONAL, which is why more attention is given to compliance
5. Personal assessment of purchasing department	Assessment based on past experience with suppliers
6. Short interview	Answering and evaluating 5 short questions on, for example, money laundering

These six criteria are evaluated to obtain an overall rating for all suppliers. The three suppliers with the lowest rating are then audited by an external partner. This audit deals intensively with issues such as corruption, respect for human rights, combating child labour, protection of the environment and work safety and, among other things, involves inspections at the supplier's premises.

Depending on the result of these audits, we point out conspicuous anomalies in relation to the above criteria and demand that they be rectified. If the supplier does not comply, we reserve the right as the customer to immediately cancel contracts with due notice.

For 2020, we did not conduct an assessment of these criteria as described in the table. Instead, we chose three very different suppliers — one new one, a long-standing partner with a substantial organisation, and an average SME — for an on-site audit by our external partner. Three suppliers have already been chosen to undergo an audit in 2021 involving a full assessment of these criteria.

The results from the first three audits are already available. We did not find any major deviations by our suppliers, such as in the area of child labour or violations of minimum wage requirements, as regards the criteria examined as part of our compliance management system.



Supply Chain Act —
No reason to panic

Excerpt

The following section is reprinted from an article in the trade magazine “Produktion”, issue 6/2021, with the kind permission of the editorial team. Marc Jäschke, Team Leader Strategic Purchasing at RATIONAL AG, presents his RATIONAL AG's take on this issue and what we have done so far in this direction.

The German government has adopted the draft bill for a Supply Chain Act. It has been met with criticism, but is also intended to enable better management of risks in the supply chain.

The German government has adopted the draft bill for the Supply Chain Act. Karl Haeusgen, President of the German Mechanical Engineering Industry Association (VDMA), fears that it might “even mean ruin for some companies.” “A Supply Chain Act solely serves to soothe do-gooders and entrenches an arrogant moral imperialism,” complains Irina Kummert, President of the Ethics Association of German Business.

With this draft, the German government is implementing an undertaking from the 2018 coalition agreement, in which the parties CDU/CSU and SPD specified that they would pass such an act if more than half of companies in Germany did not take voluntary action to ensure humane working conditions at their suppliers by mid-2020. However, a survey by the German government last summer revealed that only around 15% of businesses with more than 500 employees had done so.

Yet the coalition's plan also suits companies that are clamouring for a Supply Chain Act, such as BMW, Daimler, Bayer,

Hapag-Lloyd, Ritter Sport or Vaude. As a survey by the opinion research institute dimap shows, nine out of ten Germans want policymakers to ensure that companies respect human rights in their foreign business.

It is a fact that millions of people worldwide work for wages below the subsistence level and under conditions that put their health at risk. And it is often German companies that are at the end of the value chain. After all, no other country apart from the U.S. and China imports more goods than the Federal Republic. According to the Federal Ministry of Economic Cooperation and Development, it is mainly mechanical engineering companies and car makers that process imported primary products, accounting for an average of almost 30% of value added. That figure in the electronics industry is 45%.

With its Supply Chain Act, the coalition now aims to hold these companies accountable, as well as textile discounters or processors of raw cocoa and coffee. From 2024, companies with more than 3,000 employees are to conduct an “appropriate risk analysis” every year in order to identify which “human rights and environmental risks” there are at their company and their direct suppliers. Under the government's draft bill, companies with more than 1,000 employees will also be obligated to do that one year later.

They have to notify their buyers about the results of their analysis so that the buyers can develop and implement “sourcing strategies and procurement practices to avoid or mitigate the identified risks.”

For example, buyers at suppliers are to contractually pledge that they comply with the “human rights and environmental requirements” of their customer and also demand that their own suppliers do so. The government also intends to obligate companies to offer training in human rights, occupational safety and environmental protection for their suppliers.

They must also take measures internally and at tier 1 suppliers to prevent human rights violations — such as agreeing control mechanisms with business partners. The companies are also to appoint a human rights officer and establish a process to enable employees of suppliers to submit complaints about anomalies. However, they must only pursue violations of human rights and environmental protection at their supplier's upstream suppliers only if they have indications of such incidents.

“We’re not afraid of that,” states Marc Jäschke, Team Leader Strategic Purchasing at RATIONAL AG. “After all, we already do a lot of what is demanded by the Supply Chain Act.” The mid-sized enterprise, which has around 2,200 employees and makes cooking systems for professional kitchens, signed the Code of Conduct of the German Federal Association of Materials Management, Purchasing and Logistics (BME) back in 2012, for instance. It obligates companies to respect human rights, take action to combat child and forced labour, and make sure their suppliers protect the health of employees and the environment.

“We demand that our suppliers also observe these requirements,” adds Jäschke. “Of course, we are aware that there is a large blind spot and we cannot know every aspect of our suppliers’ operations. However, we strive to understand what goes on there as far as possible.” He and his colleagues therefore spend a lot of time at their around 190 suppliers of series products.

“We also try to conduct an audit with changing focal contents at around one-third of suppliers every year,” says Jäschke.

“We started developing a new compliance management system for the supply chain in 2019 and put into practice in full for the first time in 2020.” Multiple criteria are evaluated in it to obtain an overall rating for all suppliers. The three suppliers with the lowest rating are then audited by an external partner, who pays close attention to issues such as corruption, respect for human rights, combating child labour, protection of the environment and work safety during inspections at the supplier’s premises.

If RATIONAL identifies anomalies as part of this process, it demands that its suppliers eliminate them. “If they do not, we reserve the right to end the business relationship,” sums up Jäschke. However, he adds that it is very unlikely that things will escalate that far.

RATIONAL reports on all of this every year in a Sustainability Report. The company is also one step ahead of the Supply Chain Act in that regard. The draft bill as it stands demands that in the future companies must report on how they live up to their obligations under the act once a year. The Federal Office of Economics and Export Control is to be able to punish

any violations by imposing fines of up to 800,000 euros, or two percent of global sales revenues if companies generate more than 400 million euros a year. Non-governmental organisations and trade unions are also able to take legal action before German courts on behalf of the persons affected.

However, there is little risk of them doing so, in the opinion of Dr José Campos Nave, Managing Partner and a specialist in commercial and company law at the law firm Rödl & Partner. “That’s because fines go into the state’s coffers and not into the pockets of those entitled to bring an action.” And it is the latter who bear the financial risk of taking legal action and hence have little motivation to institute proceedings. “So the act is a toothless tiger.” The legal expert corrects himself: “A paper tiger.” “That’s because companies will need to write even more reports in the future to prove they comply with the stipulations.” After all, documentation creates security, says Campos Nave. Especially when companies also need the seal of approval from a certifier to be able to prove that they have done everything to comply with statutory requirements. Yet as Wolfgang Weber, Chairman of the Central Association of the Electrical Engineering and Electronics Industry (ZVEI), notes: “That risks creating a lot of red tape as part of certification, which won’t lead to any substantial improvements in ensuring that human rights are respected.”

The VDMA criticises the fact that the Supply Chain Act will nevertheless also impact smaller businesses. “It might only apply to companies that have 3,000 or 1,000 employees to begin with. Yet the many small and medium-sized enterprises are still affected because as suppliers they are answerable to large companies for what happens in their supply chains,” states Thilo Brodtmann, the VDMA’s Executive Director.

“Nevertheless, I strongly advocate seeing the act not as a burden, but as an opportunity,” adds Philipp Mall, Managing Director at INVERTO, a consulting firm that specialises in procurement. That is because companies that know and consciously manage risks in their supply chain, as demanded by the government’s draft bill, could be able to respond promptly in crisis situations. The current crisis has impressed the need for that on many companies. “The loss of suppliers in the wake of the coronavirus pandemic has often opened their eyes to what downstream suppliers in which countries they are dependent on,” states Mall.

Companies that improve their risk management not only fulfil the requirements of the Supply Chain Act. By adopting sustainable business practices, they also achieve a better operating result and increase their return on investment, as confirmed in a study by the University of Oxford. Many companies have also come to understand that in the course of the coronavirus crisis. The number of businesses that record and assess risks in their supply chain rose by more than 60% in 2020. That is also shown by the “Risk Management Study 2021” by Philipp Mall and his colleagues: six out of ten organisations now operate a risk management system, compared with just 38% in 2019.

72% of those surveyed regularly analyse and assess the performance of their suppliers in order to avoid procurement bottlenecks. Two out of three conclude long-term framework agreements with them. Thanks to these two measures, buyers could also be able to implement the requirements of the Supply Chain Act with little extra cost and effort. “If a company regularly sends its suppliers questionnaires, for example, in order to obtain information on its partners’ delivery capability, it can add questions on health, safety and environmental protection at the supplier’s business,” states Mall.

Of course, that is not enough on its own. “Managing Directors should therefore get together with their colleagues from Compliance as soon as possible to analyse the difficulties the company might encounter in implementing the Supply Chain Act and what Procurement should do to help tackle these challenges,” is the recommendation of Mall.

Where the Purchasing department does not yet have an overview of the risks in its supply chain, it should also draw up a roadmap of measures aimed at creating transparency on them. One objective of that is not only to look at the direct suppliers of critical primary products, such as metals or electronic components, but to also at least make a rough assessment of upstream supplier structures. “The experts for the individual material groups should ask themselves what primary products are contained in the parts and components they procure and where the environment might be harmed or human rights violated as part of their extraction and production,” adds Mall. That information could then be used to choose and develop their own suppliers more systematically based on social and ecological aspects.

That involves a lot of cost and effort — in a time where many companies are fighting to survive as a result of the coronavirus pandemic. “But the work is worth it. That’s because in two years’ time the European Union might have a legal framework that imposes much greater obligations on companies than the German government’s draft Supply Chain Act,” points out Mall.

In mid-March, the EU Parliament a report containing its ideas on a European Supply Chain Law to the Commission. It envisages companies with as few as 250 employees having to analyse their entire supply chain — and not just the first link in it. In addition, they should pay damages if human rights are violated. The Commission may table a legislative proposal on the basis of the report by the summer. In that case, industry associations would have every reason to bemoan the fate of the German SME sector.



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This report was published in April 2021.